

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2702-01
Bill No.: SB 906
Subject: Insurance - Medical
Type: Original
Date: February 10 , 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on General Revenue Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated Fund	\$8,000	\$0	\$0
County Foreign Insurance Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$8,000	\$0	\$0

*** Decrease in unknown revenues is offset by an unknown decrease in transfers to school districts and net to \$0.**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation (MDC), Office of Administration - Division of Budget and Planning** and **Department of Revenue** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Missouri Department of Transportation** state the Highway and Patrol Medical Plan is not a health carrier as defined in Section 376.1350. Since this proposal does not require health carriers to offer such health benefit plans, the Medical Plan is not required by Section 104.801 to follow this legislation. Finally, the Medical Plan already offers a health benefit plan which contains deductibles, etc. As a result, the proposal will have no fiscal impact on the Highway and Patrol Medical Plan.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP currently offers health benefit plans which contain deductibles, coinsurance and variable copayments. HCP offers HMO plans with two different plan designs. The premium option has lower copayments with a higher monthly rate; the Standard Option has higher copayments with a lower

ASSUMPTION (continued)

monthly rate. HCP also offers the Copay Plan through First Health which has non-network benefits subject to deductibles and coinsurance amounts.

Therefore, this proposal does not fiscally impact the HCP.

Officials from the **Department of Insurance (INS)** state HMOs currently pay corporate income tax rather than premium tax. Premium tax is split 50/50 between General Revenue (GR) and County Foreign Insurance Fund. The INS assumes that companies with both HMO and insurance company affiliates may move business from PPO contracts where premium taxes are paid to HMO contracts where corporate tax is paid. This would result in an unknown decrease in what is deposited in the County Foreign Insurance Fund. The County Foreign Insurance Fund is yearly distributed to all school districts in the state. The shift from premium tax to corporate tax would also result in a difference in tax amounts collected. Currently the premium tax rate is 2% of the premium written. How corporate tax is calculated and the impact this shift would have on GR is unknown.

The INS estimates that many of the 160 insurers and HMOs would develop and file new products which are required to be submitted to INS for review and approval. Policies and HMO contracts must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the INS will need to request additional staff to handle the increase in workload.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Income - Department of Insurance</u>			
Shift from premium tax to corporate tax	<u>Unknown to</u> <u>(Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown to</u> <u>(Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form Filing Fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
COUNTY FOREIGN INSURANCE FUND			
<u>Savings - Department of Insurance</u>			
Reduction in transfer-out to school districts	Unknown	Unknown	Unknown
<u>Loss - Department of Insurance</u>			
Reduction in premium taxes collected	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* Decrease in unknown revenues is offset by an unknown decrease in transfers to school districts and net to \$0.			

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
SCHOOL DISTRICTS			
<u>Loss - School Districts</u>			
Reduction in premium taxes transferred- in from the County Foreign Insurance Fund	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

The proposal may impact small businesses that provide health insurance benefits to employees as it may affect health insurance premiums.

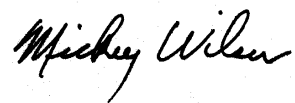
DESCRIPTION

Under this proposal, health carriers may offer as an option, one or more health benefit plans which contain deductibles, coinsurance, coinsurance differentials, or variable copayments. This proposal shall not be construed as preventing a health carrier from covering federal or state mandated health benefits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Division of Budget and Planning
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation
Department of Revenue



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